

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCTS PRICE CHANGES
RATES OF GENERAL APPLICABILITY

Docket No. CP2014-27

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO REQUEST FOR SUPPLEMENTAL INFORMATION**
(February 26, 2014)

The United States Postal Service hereby provides its response to the Commission's request for supplemental information contained in Order No. 1996 (February 19, 2014). A response was due no later than February 26, 2014. The Commission's request is attached, and is followed by the Postal Service's response. A portion of the Postal Service's response is being filed under seal. Also attached is an application for non-public treatment for the protection of that material.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product Support

Elizabeth A. Reed

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3179, Fax -6187
Elizabeth.A.Reed@usps.gov
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RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
REQUEST FOR SUPPLEMENTAL INFORMATION

REQUEST:

The Postal Service is directed to provide revenue and attributable cost data for the 12-month period from the effective date of the proposed rates (March 20, 2014) to demonstrate that the Standard Post product complies with 39 U.S.C. 3633(a)(2). The Postal Service is also directed to confirm that following the price change, competitive products in total will be in compliance with 39 U.S.C. 3633(a)(1) and (3).

RESPONSE:

The Postal Service confirms that following the price change, competitive products in total will be in compliance with 39 U.S.C. 3633(a)(1) and (3). The Postal Service does not consider this price change to constitute a decrease in the average rate for the Standard Post product, within the meaning of 39 C.F.R. 3015.3, and submits that a 12-month forward-looking financial analysis is not required under the Commission's Rules of Practice. Nevertheless, the Postal Service is today filing the requested projected revenue and projected attributable cost data under seal, along with a brief summary of the Postal Service's methodology. The forecast was made using the forecast parameters used to produce the volume and revenue forecasts, which were filed with the Postal Regulatory Commission associated with the CPI, Exigent, and Competitive rate filings in the Fall of 2013. Both the cost and the revenues used in the forecast are for the period from April 2014 to March 2015 ('test year'). Both are based on FY 2013 data (the 'base year'), reflecting the FY 2013 Cost and Revenue Analysis report.

APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3007.21, the Postal Service hereby applies for non-public treatment of the materials provided under seal, in response to the Commission's request for supplemental information. The Postal Service hereby furnishes the justification required for this application by each subsection of 39 C.F.R. § 3007.21(c), as enumerated below. For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

The materials designated as non-public consist of information of a commercial nature, which under good business practice would not be publicly disclosed. In the Postal Service's opinion, this information would be exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3).¹ Because the portions of the materials which the Postal Service is applying to file only under seal fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

(2) Identification, including name, phone number, and email address for any third-party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;

None.

¹ In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

- (3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;**

The materials consist of work papers that contain commercially sensitive information such as underlying costs and assumptions, revenue, and cost coverage projections, for Standard Post.

- (4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;**

The financial work papers include specific information such as costs, assumptions used in developing costs and prices, and projections of variables. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors would likely take great advantage of this information. Unlike its competitors, the Postal Service is required to meet the standards of 39 U.S.C. § 3633. Competitors are not so constrained and could use the information to their advantage in gaining customers. The formulas shown in the spreadsheets in their native format provide additional sensitive information. In addition, revealing the Postal Service's profit margin information could also be used by current and prospective customers to attempt to renegotiate their own prices. Although the extent of the commercial harm is difficult to quantify, given that Shipping Services is a multi-billion dollar enterprise, providing this advantage to the Postal Service's competitors could lead to millions of dollars in lost revenue, higher costs, and lower contribution margins for the Postal Service. It is highly likely that if this information were made public, the Postal Service's competitors and suppliers would take advantage of it almost immediately.

- (5) At least one specific hypothetical, illustrative example of each alleged harm;**

Identified harm: Public disclosure of information in the financial work papers would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing package delivery service or its representative obtains a copy of the financial work papers. It analyzes the work papers to determine what the Postal Service would have to charge its customers in order to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. It then sets its own rates for products similar to what the Postal Service offers its customers under that threshold and markets its ability to guarantee to beat the Postal Service on price for similar delivery services.

(6) The extent of protection from public disclosure deemed to be necessary;

The Postal Service maintains that the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the market for domestic parcel shipping products, as well as their consultants and attorneys. Additionally, suppliers of transportation or other services to the Postal Service that affect costs for competitive services should not have access to these materials; this restriction should include their consultants and attorneys.

(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

(8) Any other factors or reasons relevant to support the application.

None.